

U.S. Department of Energy

Washington, D.C.

000042 ORDER

DOE 2250.1B

10-25-85

START

SUBJECT: COST AND SCHEDULE CONTROL SYSTEMS CRITERIA  
FOR CONTRACT PERFORMANCE MEASUREMENT

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1. PURPOSE. To establish the Department of Energy (DOE) policy for applying the cost and schedule control systems criteria to major system acquisitions, major projects, and other projects, and to set forth the requirements, procedures, authorities, and responsibilities for assessing contractors' management control systems.
2. CANCELLATION. DOE 2250.1A, COST AND SCHEDULE CONTROL SYSTEMS CRITERIA FOR CONTRACT PERFORMANCE MEASUREMENT, of 11-9-82.
3. REFERENCES.
  - a. DOE 1332.1A, UNIFORM REPORTING SYSTEM, of 10-15-85, which describes the content and formats of reports which can be obtained from contractors when stipulated as contract requirements.
  - b. DOE 4240.1D, DESIGNATION OF MAJOR SYSTEM ACQUISITIONS AND MAJOR PROJECTS, of 4-26-84, which lists those projects designated as major system acquisitions and major projects.
  - c. DOE 5700.4A, PROJECT MANAGEMENT SYSTEM, of 11-17-83, which provides detailed guidance and procedures on implementation of the project management system.
  - d. Department of Energy Acquisition Regulations, Section 952.212-73, "Cost and Schedule Control System Criteria," which briefly explains the cost and schedule control systems criteria, references the DOE Implementation Guide, and includes the contract clause to be used for application of the cost and schedule control systems criteria to a contract.
4. DEFINITIONS. Terms used herein are defined in Attachment 2.
5. POLICY AND OBJECTIVES.
  - a. The national importance and magnitude of the DOE's research, development, construction, and demonstration projects require improved visibility of contractor cost and schedule performance and the receipt of reliable data in order to support responsible decisionmaking. The cost and schedule control systems criteria (herein referred to as "criteria") shall be used to accomplish these objectives.

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DISTRIBUTION:  
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INITIATED BY:  
Office of Project and Facilities  
Management

DEFINITIONS

1. COST ACCOUNT is the management control point at which actual costs are accumulated and performance determined. A cost account is a natural control point for cost and schedule planning and control since it represents the work assigned to one responsible organizational element on one contract work breakdown structure element.
2. COST AND SCHEDULE CONTROL SYSTEMS CRITERIA are DOE-established characteristics that a contractor's internal management control systems must possess to assure effective planning and control of contract work, costs, and schedules (see Attachment 1).
3. CRITERIA CHECKLIST is a list of questions compiled by the Office of Project and Facilities Management to assist in interpreting a specific criterion. The checklist provides the basis for criteria use from evaluation of proposals describing a contractor's systems to onsite review of the contractor's operating systems.
4. CRITERIA IMPLEMENTATION, FULL is the application of the criteria to designated contracts. DOE formally reviews the contractor implementation and issues a certificate of validation for successful contractor compliance.
5. CRITERIA IMPLEMENTATION, MODIFIED is the application of the criteria, with less rigorous requirements for the verification and substantiation of the operation and capabilities of the contractor's various management control systems, including organizational and work breakdown structures, their definition, and levels of integration, and utilization. DOE conducts sufficient systems review to assure contractor implementation is in compliance with the contractual requirements.
6. EARNED VALUE is the periodic, consistent measurement of work performed in terms of the budget assigned to that work. In criteria terminology, earned value is the budgeted cost for work performed. It is compared to the budgeted cost for work scheduled (planned) to obtain schedule performance, and it is compared to the actual cost of work performed to obtain cost performance.
7. MANAGEMENT CONTROL SYSTEMS are the planning, scheduling, budgeting, estimating, work authorization, cost accumulation, performance measuring, and other systems used by a contractor to plan and to control the cost and scheduling of work.
8. REVIEW DIRECTOR is the review team member appointed by the Office of Project and Facilities Management in coordination with the project manager. The review director serves as the technical advisor to a review team and is responsible for assuring that the review of the contractor's systems is consistent with policy for criteria use and application. Typical activities include assisting in overall review planning and review team selection; interpreting the criteria, policy, and requirements; evaluating contractor earned value techniques; and consulting on review report preparation.

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- (e) Contract status and trend data are valid and traceable; and
  - (f) Effective management decisions are facilitated.
- (3) Reduce potential for the proliferation of standards, systems, and reporting requirements.
  - (4) Assure consistent application on contracts.
  - (5) Promote consistent implementation by contractors.
  - (6) Assure that requirements placed on contractors are consistent with those imposed by other Government agencies.
- e. The criteria shall be required on those projects designated as major system acquisitions. However, the criteria may also be applied to major projects and other projects, when appropriate and when directed.
  - f. The criteria listed in Attachment 1 shall be used by all organizations as the basis for both full and modified contractual implementations. The criteria:
    - (1) Shall be implemented contractually on all newly designated major system acquisition projects.
    - (2) May be implemented contractually on major projects and other projects as the cognizant Secretarial Officer may elect.
    - (3) May be implemented on subcontracts as negotiated with the prime contractor.
    - (4) Shall span the life of the contract when implemented.
    - (5) Will not normally be considered for contractual implementation on ongoing projects.
  - g. Cost-type and fixed-price-incentive contracts may be selected for criteria implementation. Firm-fixed-price or fixed-price with escalation contracts normally will not be selected for criteria implementation. Final designation will be made by the cognizant Secretarial Officer.
    - (1) The contracts selected for full criteria implementation shall meet one of the guidelines listed below:
      - (a) The contract has a total estimated dollar value in excess of \$50 million.
      - (b) The contract work is of high national or DOE urgency or attracts unusually high national or DOE interest.

- (4) Prevent revisions to the contract budget base except for Government-directed changes to contractual effort.
- (5) Document, internally, changes to the performance measurement baseline and, on a timely basis, notify the Government contracting officer through prescribed procedures.
- (6) Provide the contracting officer and his or her duly authorized representatives access to all of the foregoing information and supporting documents.

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6. RESPONSIBILITIES AND AUTHORITIES.

a. Secretarial Officers.

- (1) Approve recommendations for, or designate, implementations of the criteria on major projects and other projects.
- (2) Designate a focal point for coordination of criteria matters with the Office of Project and Facilities Management.

b. Program Managers.

- (1) Identify and recommend major projects and other projects for criteria implementation.
- (2) Assure that the approved project plan is the basis for implementation planning.
- (3) Review the project manager's recommendation for validation and forward it to the Office of Project and Facilities Management.

c. Heads of Field Organizations.

- (1) Support contractors' systems reviews within their respective purviews.
- (2) Support surveillance activities associated with assuring continuing acceptability of contractors' internal management systems.
- (3) Provide for the inclusion of appropriate requirements related to implementation of the criteria in requests for proposals and contracts issued by their organizations.
- (4) Designate a focal point for coordination of criteria matters with the Office of Project and Facilities Management.

d. Project Managers.

- (1) Identify and recommend major and other projects for full or modified implementation.
- (2) Use the project summary work breakdown structure and the cost, schedule, and technical baselines contained in the approved project plan as the basis for criteria implementation planning.
- (3) Prepare a criteria implementation plan containing the candidate contracts recommended for full or modified criteria implementation, proposed organizational responsibilities, and tentative implementation schedules, and coordinate the plan with the cognizant program office and the Office of Project and Facilities Management.

c. Accounting.

- (1) Record direct costs on an applied or other acceptable basis in a formal system that is controlled by the general books of account.
- (2) Summarize direct costs from cost accounts into the work breakdown structure without allocation of a single cost account to two or more work breakdown structure elements.
- (3) Summarize direct costs from the cost accounts into the contractor's functional organizational elements without allocation of a single cost account to two or more organizational elements.
- (4) Record all indirect costs which will be allocated to the contract.
- (5) Identify the bases for allocating the cost of apportioned effort
- (6) Identify unit costs, equivalent unit costs, or lot costs as applicable.
- (7) The contractor's material accounting system will provide for:
  - (a) Accurate cost accumulation and assignment of costs to cost accounts in a manner consistent with the budgets, using recognized, acceptable costing techniques.
  - (b) Determination of price variances by comparing planned versus actual commitments.
  - (c) Cost performance measurement at the time most suitable for the category of material involved, but no earlier than the time of actual receipt of material.
  - (d) Determination of cost variances attributable to the excess usage of material.
  - (e) Determination of unit or lot costs when applicable.
  - (f) Full accountability for all material purchased for the contract, including the residual inventory.

d. Analysis.

- (1) Identify at the cost account level on a monthly basis using data from, or reconcilable with, the accounting and budgeting systems:
  - (a) Budgeted cost for work scheduled and budgeted cost for work performed.
  - (b) Budgeted cost for work performed and applied (actual where appropriate) direct costs for the same work.

(1) Director of Administration (MA-2), through the:

(a) Director of Personnel (MA-20) develops or arranges training programs for:

- 1 Applying the criteria contractually;
- 2 Reviewing contractor criteria implementations;
- 3 Analyzing the cost and schedule performance reports submitted by the contractors; and
- 4 Conducting systems surveillance.

(b) Director of Project and Facilities Management (MA-22).

- 1 Defines the criteria and develops the policy for their use and application.
- 2 Provides the focal point for criteria interpretation, applications, and interagency coordination, and resolves significant problems encountered during systems reviews and surveillance.
- 3 Reviews and approves project manager's recommendations for validation.
- 4 Provides, when requested, personnel to participate in reviews of contractors' systems.
- 5 Maintains records of criteria implementations by contractors, exchanges such information on status with other Government agencies, and provides this information to program offices, field organizations, and procurement focal points for use in source selection.
- 6 Develops guides and other documentation to assist in application and contractor implementation of the criteria.
- 7 Provides review directors to assist in reviews of contractors' systems.
- 8 Advises and assists in organizing and carrying out contractors' systems review activities, including the maintenance of an overall schedule to maximize use of available resources.
- 9 Coordinates with project offices in arranging for knowledgeable personnel in support of systems reviews or surveillance activity, as necessary.

COST AND SCHEDULE CONTROL SYSTEMS CRITERIA1. GENERAL.

- a. The management control systems used by the contractor in planning and controlling the performance of the contract shall meet the criteria set forth in paragraph 2, below. Nothing in these criteria is intended to affect the basis on which costs are reimbursed and progress payments are made, and nothing herein will be construed as requiring the use of any single system, or specific method of management control or evaluation of performance. The contractor's systems need not be changed, provided they satisfy the criteria.
- b. An element in the evaluation of proposals will be the proposer's systems for planning and controlling contract performance. The proposer will fully describe the system to be used. The prospective contractor's cost and schedule control system proposal will be evaluated to determine whether it meets the criteria. The prospective contractor will agree to operate compliant systems throughout the period of contract performance if awarded the contract. DOE will rely on the contractor's compliant systems and, therefore, will not impose separate management control systems.

2. THE CRITERIA. The contractor's management control systems will include policies, procedures, and methods which are designed to ensure that they will accomplish the following:a. Organization.

- (1) Define all authorized work and related resources to meet the requirements of the contract, using the framework of the contract work breakdown structure.
- (2) Identify the internal organizational elements and the major subcontractors responsible for accomplishing the authorized work.
- (3) Provide for integration of the contractor's planning, scheduling, budgeting, estimating, work authorization, and cost accumulation systems with each other, the contract work breakdown structure, and the organizational structure.
- (4) Identify the managerial positions responsible for controlling overhead (indirect costs).
- (5) Provide for integration of the contract work breakdown structure with the contractor's functional organizational structure in a manner that permits cost and schedule performance measurement for contractor work breakdown structure and organizational elements.



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